



Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Template for response

August 2022



Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in [Appendix 1](#). Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our [submission guidelines](#) for further information.

Closing date for submissions: 23 September 2022

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Appendix 1: Consultation template

Name/Organisation: CFA Societies Australia (www.cfas.org.au)

Questions

Intended outcomes

1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?

CFA Societies Australia support the intended outcomes of the proposals, and the simplification of obligations relating to the provision of personal advice. Increasing accessibility and affordability of advice is critical to the financial wellbeing of many Australians.

However, we believe advice must be underpinned by strong ethics and professional standards, and appropriate safeguards must be in place. Regulation needs to consider the risk of 'bad actors', even though the majority will seek to do the right thing.

In our CFA Institute 2022 Investor [Trust study](#) 'Enhancing Investors' Trust', Australian respondents (250 retail investors in Australia sample) had lower levels of trust in financial services (45%) compared to overall trust levels globally (60%), despite rebounding by an impressive 21% points compared to 2020 (see page 10 of the study).

With respect to advisors, we asked how important are factors such as fee disclosures, disclosing and managing conflicts, and matching / beating the benchmark, in creating a trusted relationship with advisors. A majority of Australian respondents rated fee disclosures (94%) and managing conflicts (89%) as important or very important considerations, compared to global levels of 88% and 86% respectively. To another question on how well the advisors are delivering on these factors, only 50% of respondents said they were delivering well on fee disclosures, and only 45% said they were disclosing and managing conflicts well.

Given the low levels of trust, and the meaningful gap between expectations and delivery from financial advisors, the policy emphasis must be on both the process and the outcome, rather than moving from one to the other.

What should be regulated?

2. In your view, are the proposed changes to the definition of 'personal advice' likely to:

- a) reduce regulatory uncertainty?
- b) facilitate the provision of more personal advice to consumers?
- c) improve the ability of financial institutions to help their clients?

CFA Societies Australia agrees the proposed changes are likely to have the outcomes listed.

3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

- a) If not, what additional safeguards do you think would be required?

CFA Societies Australia questions whether research houses and ratings agencies, who provide investment research and data, including product information and ratings, would be regulated entities under the proposal. Can clarification on this point be provided.

CFA Societies Australia supports in principle the de-regulation of 'general advice'.

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

- a) the quality of financial advice provided to consumers?
- b) the time and cost required to produce advice?

CFA Societies Australia support a focus on outcomes. We feel the proposed definition of 'good advice' is too soft and should be strengthened.

We recommend the retention of a best interest duty, with the removal of the safe harbour provision, to sit alongside the obligation to provide 'good advice' and believe this will better enable an increase in the quality of financial advice provided to consumers.

5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:

- a) provide limited advice to consumers?
- b) provide advice to consumers using technological solutions (e.g. digital advice)?

We recommend the retention of a best interest duty, with the removal of the safe harbour provision, to sit alongside the obligation to provide 'good advice' and believe this will better enable an increase in the quality of financial advice provided to consumers.

6. What else (if anything) is required to better facilitate the provision of:

- a) limited advice?
- b) digital advice?

7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:

- a) the quality of financial advice?
- b) the affordability and accessibility of financial advice?

CFA Societies Australia recommends consistent professional standards apply to all provision of personal advice, not only to individuals.

8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?

a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?

CFA Societies Australia recommends consistent professional standards apply to all provision of personal advice, not only to individuals.

Superannuation funds and intra-fund advice

9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):

a) make it easier for superannuation trustees to provide personal advice to their members?

b) make it easier for members to access the advice they need at the time they need it?

CFA Societies Australia supports these changes to remove regulatory uncertainty and make it easier for members to access relevant, point-in-time advice on matters such as transitioning to retirement. Enabling intra-fund advice is vital, and needs to allow for technology solutions as well.

As an additional safeguard, advice should be one-off or episodic only, not an ongoing advice/fee relationship.

Disclosure documents

10. Do the streamlined disclosure requirements for ongoing fee arrangements:

- a) **reduce regulatory burden and the cost of providing advice, and if so, to what extent?**
- b) **negatively impact consumers, and if so, how and to what extent?**

CFA Societies Australia supports the streamlined disclosure requirements for ongoing fee arrangements.

11. Will removing the requirement to give clients a statement of advice:

- a) **reduce the cost of providing advice, and if so, to what extent?**
- b) **negatively impact consumers, and if so, to what extent?**

CFA Societies Australia recommends streamlining or simplifying the SOA, rather than removing this. The major cost of advice is in the time spent understanding and actioning the client's circumstances and outlook, with the cost of generating a SOA and then keeping records not as expensive, by comparison.

12. In your view, will the proposed change for giving a financial services guide:

- a) **reduce regulatory burden for advisers and licensees, and if so, to what extent?**
- b) **negatively impact consumers, and if so, to what extent?**

CFA Societies Australia supports the proposed change as reducing regulatory burden, without negatively impacting consumers.

Design and distribution obligations

13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:

- a) the design and development of financial products?
- b) target market determinations?

CFA Societies Australia sees no significant impact and supports the proposed amendments.

Transition and enforcement

14. What transitional arrangements are necessary to implement these reforms?

General

15. Do you have any other comments or feedback?

CFA Institute is a global, mission driven, not for profit organisation, and the largest association of investment professionals worldwide. Over 165,000 investment professionals have completed the rigorous CFA Program and four years of relevant work experience to earn the CFA charter and designation.

CFA Societies Australia represents CFA Institute and over 3300 CFA charterholders and 6500 CFA Program candidates in Australia. We draw on global expertise and practice, and the experience of our members working in a wide variety of roles relating to investment management and financial services. This submission was developed with the input and oversight of our Advocacy Council, senior industry practitioners and academics.

Our shared mission statement is 'To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society'.

We would welcome the opportunity to provide further input and work with the review to support design and implementation of changes to improve access to and affordability of financial advice to consumers.

This submission is in addition to our participation in the Joint Associations Working Group.